

Janet Napolitano, Governor

J. Elliott Hibbs, Director

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ARIZONA DEPARTMENT OF REVENUE

MISSION STATEMENT

To administer tax laws fairly and efficiently for the people of Arizona.

WE'RE ON THE WEB!

The Arizona TaxNews can be viewed on our Internet website:

www.revenue.state.az.us

Businesses may register, file and pay online at **www.AZTaxes.gov**

DO YOU NEED TAX INFORMATION ON BEHALF OF A CLIENT?

Arizona law prohibits the department from revealing any information or discussing with anyone other than the taxpayer any information or submission without written authority from the taxpayer. The Department has adopted Arizona Form 285 and sub-forms 285A, 285B, 285C, 285D, 285I and 285P to facilitate communications for a variety of scenarios to meet taxpayers' needs in communicating, sharing of information on behalf of taxpayers.

As forms change over time, the Department can accept old forms, but critical information is sometimes not provided on the outdated forms. Therefore, we recommend that you go to our website at www.revenue.state.az.us/other_tax_form.s.htm#Disclosure to obtain the most current version of forms.

To help determine which form best suits your needs, we have assembled the following descriptions and explanations for each of the forms used by the department:

Form 285: Authorizes the department to release confidential information to the designated appointee and grant additional powers to the appointee, up to and including a Power of Attorney.

Form 285B: Designed to meet the needs of business taxpayers working with the Taxpayer Services and Compliance Divisions.

Form 285C: Certifies that the person signing the return is a principal corporate officer of the corporation and thus is authorized to receive confidential information.

Form 285D: To supplement a Power of Attorney that does not include a declaration of appointee.

Form 285I: A simplified version of Form 285 that authorizes disclosure and grants representational powers to an appointee of a taxpayer.

Form 285P: This form authorizes disclosure and grants representational powers to an appointee of a taxpayer

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BULK FILING ASSISTANCE

The Department of Revenue is looking for a few businesses to assist us with testing a new bulk filing program. The Department is adding more capabilities to our filing website, www.AZTaxes.gov, and has a new bulk filing component ready to test. Bulk filing will allow businesses with complex returns (over 25 lines) or practitioners with many clients to send electronic data to the Department instead of returns. The data will be sent to the Department through the secure website.

This simple procedure can be completed in just a few clicks of the mouse.

Those wishing to participate in testing this new program will need to have knowledge of XML (extensible markup language), which will be used to organize and transmit the data. Those who are interested in assisting the agency in testing this new filing method should contact Tom Waters at the Department of Revenue (waterst@revenue.state.az.us).

*****REMINDER*****

FOR NON-EFT TPT FILERS

**To avoid a delinquency, postmark your
July 2004 TPT return no later than
August 26, 2004 or deliver to DOR no later
than August 30, 2004.**

The Tax Facts—Summary of General Fund
Revenues & Individual Income Tax Receipts—
are available on the department's website,
www.revenue.state.az.us

E-Mail Your Questions

If you have a question that you cannot find the
answer to, our Technical Assistance personnel may
prove useful to you. We will gladly respond to any
e-mail technical tax inquiry. All inquiries will be
responded to within two working days.

E-mail your question to:

TaxpayerAssistance@revenue.state.az.us

In the interest of maintaining confidentiality, DOR
cannot respond to inquiries that include a Social
Security number, FEIN, TPT or W/H number, or
other specific taxpayer identifiers.

Department of Revenue Telephone Numbers & Web Addresses

Individual & Corporate Income Tax

..... (602) 255-3381

Toll-free from

area codes 520 and 928..... (800) 352-4090

Transaction Privilege, Use, Withholding Tax, Licensing..... (602) 255-2060

Toll-free from

area codes 520 and 928..... (800) 843-7196

Hearing Impaired TDD User .. (602) 542-4021

Toll-free from

area codes 520 and 928..... (800) 397-0256

To order forms by phone (602) 542-4260

Forms by fax (602) 542-3756

**Forms and instructions are also available
on our website at** www.revenue.state.az.us

**Businesses can now register, file and pay
online at** www.AZTaxes.gov

TAX CALENDAR

AUGUST 2004

Due Date		For Period Ending
2	Form A1-QRT—Withholding Tax	6/30/04
16	Income Tax Returns:	4/30/04
	Form 120: Corporation	
	Form 140: Individual	
	Form 141: Fiduciary	
	Form 165: Partnership	
16	Form 120: Corporation with Automatic Extension	10/31/03
16	Form 120S: S Corporation	5/31/04
16	Form 99: Exempt Organization Annual Information Return	
	Form 99T: Exempt Organization	3/31/04
16	Form 120ES: Estimated Tax Payment, Corporation	
	First Installment	4/30/05
	Second Installment	2/28/05
	Third Installment	11/30/04
	Fourth Installment	8/31/04
20	Form TPT-1: Transaction Privilege Tax:	
	July Monthly Filers	7/31/04
20	Bingo: Financial Reports	7/31/04
20	Luxury Tax: Various Forms	7/31/04
25	EFT Form TPT-1 and Payment:	
	Transaction Privilege Tax:	
	July Monthly Filers	7/31/04

Withholding Tax Payment Information:

If the average amount of Arizona income taxes withheld in the
preceding four calendar quarters **exceeds** \$1,500 the employer must
make its Arizona withholding payments to the Department of
Revenue at the same time as the employer is required to make
federal withholding deposits.

If the average amount of Arizona income taxes withheld in the
preceding four calendar quarters **does not exceed** \$1,500 the
employer must make its Arizona withholding payments to the
department on a quarterly basis.

The *Arizona TaxNews* is a publication of the Arizona Department
of Revenue. Information contained herein is of a general nature
and is not designed to address complex issues in detail.
Taxpayers requiring information concerning a specific tax matter
should contact the appropriate office. This newsletter is available
in an alternative format upon request. Subscription information
may be obtained from the Publications Unit at 602-716-6797 or
toll free from area codes 520 & 928, 1-877-863-0655.

CHANGE IN TOWN TAX CODE—TOWN OF CHINO VALLEY

EFFECTIVE SEPTEMBER 1, 2004

Effective September 1, 2004: On June 24th, 2004 the Mayor and Town Council of the Town of Chino Valley passed ordinance number 04-712. Ordinance 04-712 increases the Chino Valley Town Privilege Tax from **2% to 3%**. The tax rate increase affects the following classifications:

Advertising; Amusements; Construction
Contracting; Job printing; Manufactured buildings;
Timbering and other extraction; Publishing; Rental
Occupancy; Hotels; Rental of real property; Rental
of tangible personal property; Retail sales;
Restaurants and Bars; Telecommunications;
Transporting for hire; Operating a Pipeline;
Utilities and Use Tax.

Ordinance 04-712 also increases the **Additional Tax on Transient Lodging from 2% to 3%**. The Additional Tax on Transient Lodging shall be reported using **Code CV003**. The total city rate for transient lodging is **6%, 3%** which is reported using code **CV000** and **3%** which is reported using code **CV003**.

This increase imposed by this ordinance shall not apply to contracts entered into prior to the effective date of the ordinance. Pre-existing contracts should be reported using **CV007** at a rate of **2%**.

CHANGE IN TOWN TAX CODE—TOWN OF MARANA

EFFECTIVE OCTOBER 1, 2004

Effective October 1, 2004: On July 6th, 2004 the Mayor and Town Council of the Town of Marana passed ordinance number 2004-16. Ordinance 2004-16 increases the Marana Town Privilege Tax from **2% to 2.5%**. The tax rate increase affects the following classifications:

Amusements; Job printing; Manufactured buildings;
Timbering and other extraction; Publishing; Rental
Occupancy; Hotels; Rental of real property; Rental of
tangible personal property; Retail sales; Restaurants
and Bars; Transporting for hire and Use Tax.

The increase imposed by this ordinance shall not apply to contracts entered into prior to the effective date of the ordinance. Pre-existing contracts should be reported using **MA006** at a rate of **2%**.

Ordinance 2004-16 increases the **Additional Tax on Transient Lodging from 3% to 3.5%**. The Additional Tax on Transient Lodging shall be reported using **Code MA003**. The total city rate for transient lodging is **6%, 2.5%** which is reported using code **MA000** and **3.5%** which is reported using code **MA003**.

Ordinance 2004-16 also increases the Marana Privilege Tax from **4% to 4.5%** on the following classifications:

Construction Contracting (sections 8-415, 8-416 & 8-417); Telecommunications and Utilities.

The increase imposed by this ordinance shall not apply to construction contracts or other contracts entered into prior to the effective date of the ordinance.

Pre-existing contracts should be reported using **MA007** at a rate of **4%**.

The following reporting codes are effective October 1, 2004.

Privilege Tax	MA000	2.50%
Telecommunications	MA001	4.50%
Use Tax	MA002	2.50%
Hotel/Motel (Additional Tax)	MA003	3.50%
Utilities	MA004	4.50%
Contracts (pre Oct. 2004)	MA006	2.00%
Contracts (pre Oct. 2004) (Contracting, Telecommunications & Utilities)	MA007	4.00%
Construction Contracting	MA008	4.50%
Contracts (pre May 2001)	MA009	3.00%

CHANGE IN TOWN TAX CODE—TOWN OF PARADISE VALLEY EFFECTIVE SEPTEMBER 1, 2004

Effective September 1, 2004: On June 24th, 2004 the Mayor and Town Council of the Town of Paradise Valley passed ordinance number 541. Ordinance 541 increases the Paradise Valley Town Privilege Tax from **1.4% to 1.65%**. The tax rate increase affects the following classifications:

Advertising; Amusements; Construction
Contracting; Job printing; Manufactured buildings;
Timbering and other extraction; Publishing; Rental
Occupancy; Hotels; Rental of real property; Rental
of tangible personal property; Retail sales;
Restaurants and Bars; Telecommunications;
Transporting for hire; Utilities and Use Tax.

This increase imposed by this ordinance shall not apply to contracts entered into prior to the effective date of the ordinance. Pre-existing contracts should be reported using **PV008** at a rate of **1.4%**.

ANNUAL BOND EXEMPTION CERTIFICATES

Annual Bond Exemption Certificates are scheduled to be mailed out by July 25, 2004. These exemption certificates are effective August 1, 2004 and expire July 31, 2005.

Contractors must have a principal place of business in Arizona, and must have reported and paid on a timely basis to qualify for the annual bond exemption certificate. Otherwise, contractors must request a one-time exemption for building permit(s) on all projects over \$50,000. For questions about Bond Exemption Certificates, please contact the Bonding Officer at 602-716-6056.

NEW RULINGS ISSUED

New rulings were recently issued by the department. They can be found on the department's website, www.revenue.state.az.us

- Arizona Fiduciary Income Tax Ruling, FTR 01-1, Qualified Funeral Trusts Composite Returns
- Arizona Transaction Privilege Tax Ruling, TPR 04-01, Taxation of Mobile Telecommunications Services.
- Arizona Corporate Tax Ruling, CTR 04-1, Continued Filing Requirements of a Consolidated Group Involved in a Reverse Acquisition

Power of Attorney

(Continued from page 1)

specifically for use in dealing with the Centrally Valued Property division.

Form 821: This form will authorize any corporation, firm, organization, or partnership to inspect and/or receive confidential Arizona withholding tax information. (For *Individuals* seeking authorization you must use one of the forms in the 285 series.)

For additional information or guidance with respect to acceptable Powers of Attorney, you can reference General Tax Procedure (GTP) 95-2 from the same website.

NEW IRS E-SERVICES TOOLS EXPECTED TO INCREASE E-FILING, IMPROVE CUSTOMER SERVICE.

IR-2004-89, July 6, 2004

WASHINGTON — The Internal Revenue Service announced today the release of two new electronic tools for tax professionals. Disclosure Authorization and Electronic Account Resolution are the latest additions to the IRS suite of e-services that give tax professionals online options for working with the IRS.

The Disclosure Authorization tool gives eligible tax practitioners an online option for submitting Power of Attorney or Taxpayer Information Authorization forms. Electronic Account Resolution allows tax practitioners to electronically correspond with the IRS.

“Business Systems Modernization is a key part of our broader agenda at the IRS,” said IRS Commissioner Mark W. Everson. “IRS continues to improve service to taxpayers through delivery of technology.”

Disclosure Authorization and Electronic Account Resolution are premium e-services. They are available to tax professionals who successfully e-file 100 or more individual tax returns and are registered to use e-services.

Disclosure Authorization (DA)

Eligible tax professionals can complete authorization forms, view and modify existing forms, and receive acknowledgement of accepted submissions immediately, all online. DA allows tax professionals to electronically submit Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information Authorization. The online versions also provide for

electronic signature by taxpayers. The IRS acknowledges each accepted submission within seconds and tax professionals can begin acting on behalf of their clients right away.

Electronic Account Resolution (EAR)

Using EAR, tax professionals have a secure method of electronically corresponding with IRS to ask about individual or business account problems, refunds, installment agreements, notices or missing payments. Account-related questions raised by eligible tax professionals are answered by IRS contact representatives after EAR verifies the tax professional has authority to represent the taxpayer. The IRS response is delivered to an electronic secure mailbox within three business days and the tax professional is notified by e-mail. Electronic Account Resolution eliminates the wait for telephone and written responses.

Disclosure Authorization and Electronic Account Resolution are just two of the products developed and delivered through the IRS Business Systems Modernization program. They are part of the e-services project which has already delivered: Registration, Online e-file Application, Preparer Tax Identification Number (PTIN) Application and Taxpayer Identification Number (TIN) Matching. Only approved IRS business partners, such as e-filing tax professionals and payers, are eligible to use e-services, which are available 24 hours a day, seven days a week.

NEW TAXPAYER ACCOUNT, PROCESSING SYSTEM DEBUTS

IR-2004-96, July 21, 2004

WASHINGTON — A modernized system designed to replace the IRS central database of taxpayer account information has processed its first live returns, the Internal Revenue Service announced today.

The Customer Account Data Engine (CADE) started processing an initial set of 1040EZ tax returns in the past week. The returns being processed are the most basic of 1040EZ forms and have a narrow range of taxpayer information, but it marks the first time since the 1960s that individual tax returns have been processed in a new way.

“For the first time in 40 years, the IRS is processing returns and issuing refunds on a new computer system,” IRS Commissioner Mark W. Everson said. “We’ve waited a long time for this moment. While long overdue, this is an important first step in modernizing our return processing technologies. We still have a long way to go

and a lot of work ahead of us.”

CADE will be used to process more than 2 million 1040EZ tax returns during the 2005 filing season. The CADE system is scheduled to be phased in over several years, processing increasingly more complex tax returns in stages, ultimately replacing the 40-year-old system the IRS now uses to process tax return data.

When fully operational, CADE will be a modern database that will house tax information for more than 200 million individual and business taxpayers. It replaces an antiquated system called the Master File. The magnetic tape-based system came into use four decades ago, takes a week to update records and creates delays in providing accurate account information for taxpayers. When completed, CADE will provide a variety of benefits to taxpayers, such as faster refunds along with daily postings of transactions and updating of accounts.

NEW PUBLICATIONS FOCUS ON CAR DONATIONS

IR-2004-84, June 29, 2004

WASHINGTON - Internal Revenue Service officials today announced the release of two new publications dealing with car donations as part of an effort to help taxpayers avoid potential pitfalls when they donate automobiles to charities.

The first publication, Publication 4302, "A Charity's Guide to Car Donations," addresses issues that charities need to know to properly operate car donation programs. The second publication, Publication 4303, "A Donor's Guide to Car Donations," is focused on individuals who make such donations.

"We want people and the charities to make sure they are taking the proper steps involving vehicle donations," said IRS Commissioner Mark W. Everson. "Supporting charitable activities through tax deductible contributions is an important element of tax law and serves the national interest. But we encourage people to proceed carefully when donating vehicles. There are instances where the donations may provide little benefit to the charity."

For a taxpayer, the appeal of a car donation is simple: Unload an old car, help a worthy cause and take advantage of tax provisions designed to support the generosity of Americans. Taxpayers who itemize their deductions may be able to claim a charitable contribution for the cars they donate to charity. The deduction may not exceed the fair market value of the car.

In recent years, the number of car donation programs has increased dramatically. This growth, however, has taken place without taxpayers and charities always understanding their obligations under tax law.

Both publications were written in conjunction with state charity officials, as part of an ongoing effort by state and federal officials to work together to educate taxpayers and charities.

Publication 4302, "A Charity's Guide to Car Donations," provides descriptions of several different car donation programs, filing and disclosure requirements for charities operating these programs and related information. Included among the description of vehicle donation programs is an example of an arrangement that would fail to preserve the deductibility of a contribution.

Publication 4303, "A Donor's Guide to Car Donations," reminds taxpayer that they need to make sure they are donating their vehicle to a qualified organization, receive a written acknowledgement from the charity, keep records and properly assess the fair market value of their vehicle.

Both publications are intended to assist individual taxpayers and those operating car donation programs to comply with tax law. Both publications are available at IRS.gov.



RELAX ...

E-File is available through October 15, 2004,
for Income Tax returns.

For More Information
WWW.REVENUE.STATE.AZ.US



From AHCCS...

HEALTHCARE GROUP INTRODUCES NEW OPTIONS FOR UNINSURED WORKERS

An Additional Partner Will Offer the Benefit Plans

Two new health insurance benefit plans with premiums starting at \$100 a month are being offered by Healthcare Group of Arizona to small businesses and the self-employed. The state-sponsored program now includes three HMO plans with premiums not affected by pre-existing conditions.

Originally introduced in Pima and Cochise counties, the new plans are now available in Maricopa County as well. The plans will be provided through Healthcare Group's current partner, Mercy Care Plan, as well as the newly contracted provider Care1st.

The two benefit packages, called *Active Healthstyle* and *Secure Healthstyle*, are designed to help employees who can't afford or don't have access to health insurance.

"By adding these new plans to our existing benefit package, not only are we offering more affordable options, we're also offering choices that match our members' lifestyles," said Michal Goforth, program director. "The Healthcare Group program was created by legislators to meet the needs of a segment of the population that simply can't afford insurance."

The Healthcare Group trio of plans are designed to allow members to choose their level of coverage based on lifestyle and health needs. An added benefit is that the plans do not require deductibles.

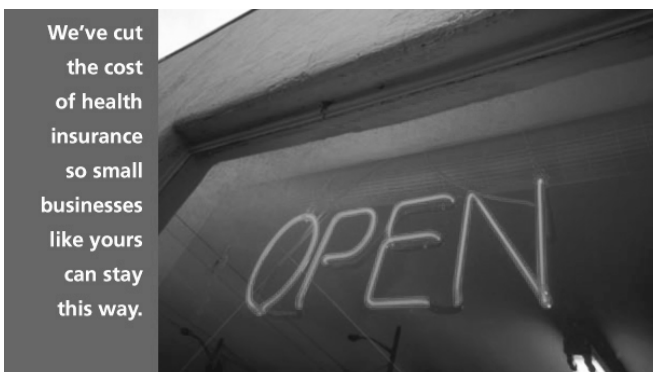
Secure Healthstyle offers \$0-copays for office visits, generic drugs and preventive care - a good option for young families or individuals with ongoing basic medical needs.

For those who do not make frequent office visits or have ongoing medical concerns, *Active Healthstyle* offers a slightly lower premium but requires co-pays for office visits.

Healthcare Group also will continue to offer its original plan, *Classic Healthstyle*, for those who are more inclined to seek a broad scope of medical care on a regular basis.

Healthcare Group coverage is available to uninsured individuals who are sole proprietors, small businesses with fewer than 50 employees that currently do not offer health coverage, and uninsured government subdivisions.

Additional information about program benefits and eligibility is available by calling 800-545-0676 statewide or 602-407-9600 in Maricopa County.



Finally, a health plan for people who thought they couldn't afford health care coverage.

If you are...

- An uninsured sole-proprietor (self-employed)
- An uninsured small business with less than 50 employees
- An uninsured government subdivision

Healthcare Group is a health plan designed with you in mind!

- Premiums start as low as \$95, with no deductibles
- Guaranteed issue—You can't be turned down due to health conditions and won't pay higher premiums because of them
- Three quality HMO plans to choose from with a variety of flexible benefits and copays
- One plan option with no primary care copays
- Can be funded by employers or paid for by employees

For more information on enrollment and plan pricing, call us directly at (602) 407-9600 or 1-800-545-0676.



602.407.9600 ph 800.545.0676 statewide 602.417.6798 fx
700 E. Jefferson Street Suite 200 Phoenix, AZ 85034



91ST ANNUAL ARIZONA TAX CONFERENCE

“CHANGING TAX STRUCTURE FOR A CHANGING ECONOMY”

Where: Hilton Sedona Resort & Spa, 90 Ridge Trail Dr

When: September 9, 10, 2004

For more information, please check the website at
www.revenue.state.az.us/conference or
call 602-716-6806.

Tentative Conference Agenda

Thursday, September 9, 2004

8:30—8:30 am Registration & Continental Breakfast

8:30—9:30 am Opening Session—

The Honorable A.J. “Tony” Martinez,
Yavapai County Assessor and President of the
Arizona Association of Assessing Officers

J. Elliott Hibbs,
Director, Arizona Department of Revenue
Invited Guest Speaker:

Governor Janet Napolitano

9:30—11:15 am

Arizona’s Changing Tax Base

11:45 am Luncheon

Concurrent Sessions

1:15—2:45 pm

Hot Topics: Property Tax Administration
The Audit Division—An Overview &
Presentation of Current Topics

3:00—4:30 pm

Litigation Update
The Effects of New Construction on Arizona’s
Tax Base

4:30—5:30 pm Social Hour (Dinner on your own)

Friday, September 10, 2004

Concurrent Sessions

8:30—9:45 am

Legislative Update
Arizona’s State Land Department: Managing
the State Trust Land

General Session

10—11:15 am Possessory Interest—Bust or Boom

11:15 am Drawing for County Prizes
Closing Remarks & Adjournment